

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 58099

SPOKANE COUNTY FIRE PROTECTION DISTRICT NO. 8

Spokane County, Washington

January 1, 1995 Through December 31, 1995

Issue Date: March 7, 1997

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SPOKANE COUNTY FIRE PROTECTION DISTRICT NO. 8
Spokane County, Washington
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With State
Laws And Regulations**

Chairman of the Board of Commissioners
Spokane County Fire Protection District No. 8
Valleyford, Washington

We have audited the financial statements, as listed in the table of contents, of Spokane County Fire Protection District No. 8, Spokane County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated January 6, 1997.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the district complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the district's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the district and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the district complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. However, we noted instances of noncompliance of regulatory requirements immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report. With respect to items not tested, nothing came to our attention that caused us to believe that the district had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the chairman of the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

January 6, 1997

SPOKANE COUNTY FIRE PROTECTION DISTRICT NO. 8
Spokane County, Washington
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. The District Should Improve Internal Controls Over Cash Receipts

During our audit of the district's cash receipting internal controls, a system which collected in excess of \$92,000 during 1995, we noted the following internal control weaknesses:

- a. Cash receipts are not being deposited daily as required. Between March and October 1995 the district received \$64,426 which was not deposited until October 24, 1995. During the audit it was discovered that a \$728 deposit and a \$950 deposit from December 1995 had not been taken to the bank. The deposits were located in the office and deposited in October 1996.
- b. Checking accounts were not being reconciled on a regular basis. The revolving account and the advance travel account were not reconciled for nine months. The cellular phone account and trust account were not reconciled in 1995 or 1996.
- c. The district had unauthorized checking accounts. The cellular phone damage deposit checking account and the trust checking account were not authorized by the board of commissioners.
- d. Inadequate monitoring of contract payments receivables. During the audit we found that two dispatch billings of \$124 each for the first and second quarter of 1995 had not been collected.

RCW 43.09.240 states:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the local government once every twenty-four consecutive hours.

The district has not implemented adequate internal controls over its cash handling procedures.

Internal control weaknesses do not provide adequate protection of public assets. Weak internal controls increase the potential for the occurrence of fraud. Additionally, when cash receipts are not deposited regularly the district loses potential interest earnings.

We recommend the district establish policies and procedures to strengthen the cash receipting control system. These procedures should include, but are not limited to, the following:

- a. All receipts should be deposited timely and intact with the county treasurer.
- b. All bank accounts should be reconciled monthly.

- c. The cellular phone and trust bank accounts should be closed.
- d. The district should monitor receivables to ensure moneys are collected on a timely basis.

Auditee's Response

- a. *District personnel have been placed to insure the proper receipting and depositing of funds.*
- c., d. *District personnel and responsibility have been placed to ensure the proper reconciling of the Revolving and Advance Travel accounts. The Cellular Trust account and the Resident Trust Account will be closed and placed into funds held in the Spokane County Treasury (pending Board of Commissioner approval).*
- e. *District personnel and responsibility have been placed to ensure the proper recording of accounts receivable.*

Auditor's Concluding Remarks

We appreciate the district's response to our audit finding. It appears that the concerns noted in this finding are being adequately addressed. We will review the district's progress in these areas during our next regularly scheduled audit.

We wish to thank the district's officials and personnel for their assistance and cooperation during our audit.

SPOKANE COUNTY FIRE PROTECTION DISTRICT NO. 8
Spokane County, Washington
January 1, 1995 Through December 31, 1995

Independent Auditor's Report On Financial Statements

Chairman of the Board of Commissioners
Spokane County Fire Protection District No. 8
Valleyford, Washington

We have audited the Schedule of Cash Activity, Schedule of Investments, and Schedule of Long-Term Debt, of Spokane County Fire Protection District No. 8, Spokane County, Washington, for the fiscal year ended December 31, 1995. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, Spokane County prepares financial statements on behalf of the district on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effect, if any, of the matters discussed in the preceding paragraph, and except that omitted disclosures might influence a user's conclusions about the district's transactions, the accompanying financial statements present fairly the cash and investment transactions and the long-term bonded indebtedness of the funds of Spokane County Fire Protection District No. 8 for the fiscal year ended December 31, 1995, on the prescribed basis of accounting.

Brian Sonntag
State Auditor

January 6, 1997